

DAVIS COUNTY  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

## TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
<b>BASIC FINANCIAL STATEMENTS:</b>	
Exhibit	
Government-Wide Financial Statements:	
A    Statement of Net Assets	8-9
B    Statement of Activities	10
Governmental Fund Financial Statements:	
C    Balance Sheet	12-15
D    Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	16
E    Statement of Revenues, Expenditures and Changes in Fund Balances	18-19
F    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	20
Proprietary Fund Financial Statements:	
G    Statement of Net Assets	21
H    Statement of Revenues, Expenses, and Changes in Net Assets	22
I    Statement of Cash Flows	23
Fiduciary Fund Financial Statements:	
J    Statement of Fiduciary Assets and Liabilities – Agency Funds	24
Notes to Financial Statements	25-40
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	42-43
Budget to GAAP Reconciliation	44
Notes to Required Supplementary Information – Budgetary Reporting	45
Schedule of Funding Progress for the Retiree Health Plan	46
<b>OTHER SUPPLEMENTARY INFORMATION:</b>	
Schedule	
Nonmajor Governmental Funds:	
1    Combining Balance Sheet	48-49
2    Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	50-51
Agency Funds:	
3    Combining Schedule of Fiduciary Assets and Liabilities	52-54
4    Combining Schedule of Changes in Fiduciary Assets and Liabilities	56-59
5    Schedule of Changes in Fiduciary Assets and Liabilities – Law Enforcement Communications Fund	60
6    Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	62-63
7    Schedule of Expenditures of Federal Awards	64-65
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	66-67

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
<b>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	<b>68-69</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>70-74</b>

# DAVIS COUNTY

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2011)		
Steve Evans	Board of Supervisors	Jan. 2011
Dale Taylor	Board of Supervisors	Jan. 2013
Max Proctor	Board of Supervisors	Jan. 2011
Linda Humphrey	County Auditor	Jan. 2013
Rodger Simmons	County Treasurer	Jan. 2011
Megan Clyman	County Recorder	Jan. 2011
Dave Davis	County Sheriff	Jan. 2013
Rick Lynch	County Attorney	Jan. 2011
Lois Heckethorn	County Assessor	Jan. 2016
(After January 2011)		
Ron Bride	Board of Supervisors	Jan. 2015
Dale Taylor	Board of Supervisors	Jan. 2013
Matt Greiner	Board of Supervisors	Jan. 2015
Linda Humphrey	County Auditor	Jan. 2013
Rodger Simmons	County Treasurer	Jan. 2015
Megan Clyman	County Recorder	Jan. 2015
Dave Davis	County Sheriff	Jan. 2013
Rick Lynch	County Attorney	Jan. 2015
Lois Heckethorn	County Assessor	Jan. 2016

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Davis County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Davis County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Davis County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Davis County at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report March 13, 2012 on our consideration of Davis County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein). For the five years ended June 30, 2010, we expressed unqualified opinions on those financial statements. For the year ended June 30, 2005, we expressed an adverse opinion on the governmental activities due to the omission of a complete listing of capital assets and related depreciation and expressed unqualified opinions on each major fund and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 13, 2012

## Basic Financial Statements

DAVIS COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments:	
Held by County	\$ 4,601,136
Held by component unit treasurer	13,689
Receivables:	
Property tax:	
Delinquent	3,258
Succeeding year	2,646,000
Interest and penalty on property tax	5,092
Accounts	44,820
Accrued interest	4,814
Due from other governments	312,794
Inventories	173,361
Prepaid expenses	154,283
Capital assets, net of accumulated depreciation (note 4)	<u>8,913,305</u>
<b>Total assets</b>	<u>16,872,552</u>
<b>Liabilities</b>	
Accounts payable	179,588
Salaries and benefits payable	25,934
Due to other governments (note 5)	92,447
Incurred but not reported claims (note 10)	105,317
Deferred revenue:	
Succeeding year property tax	2,646,000
Long-term liabilities (note 6):	
Portion due or payable within one year:	
Compensated absences	71,071
Portion due or payable after one year:	
Compensated absences	210,205
Net OPEB liability	<u>32,000</u>
<b>Total liabilities</b>	<u>3,362,562</u>



DAVIS COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2011

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 8,913,305
Restricted for:	
Supplemental levy purposes	1,110,827
Cemetery levy purposes	26,981
Mental health purposes	325,009
Rural services purposes	652,798
Secondary roads purposes	1,377,156
Conservation purposes	84,432
Capital projects	11,941
Other purposes	9,707
Unrestricted	<u>997,834</u>
Total net assets	<u>\$ 13,509,990</u>

See notes to financial statements.

DAVIS COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 1,080,835	\$ 46,662	\$ 8,992	\$ -	\$ (1,025,181)
Physical health and social services	224,468	1,270	54,010	-	(169,188)
Mental health	707,002	600	278,036	-	(428,366)
County environment and education	314,747	30,831	39,886	-	(244,030)
Roads and transportation	4,019,575	135,852	3,002,177	281,872	(599,674)
Government services to residents	318,503	130,293	26	-	(188,184)
Administration	868,794	68,959	-	39,850	(759,985)
Non-program	11,912	-	-	-	(11,912)
Total	\$ 7,545,836	\$ 414,467	\$ 3,383,127	\$ 321,722	(3,426,520)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,948,084
Penalty and interest on property tax					41,510
State tax credits					159,645
Local option sales and services tax					432,425
Payments in lieu of taxes					5,312
Unrestricted investment earnings					63,623
Miscellaneous					8,891
Total general revenues					3,659,490
Change in net assets					232,970
Net assets beginning of year					13,277,020
Net assets end of year					\$ 13,509,990

See notes to financial statements.

This page intentionally left blank

DAVIS COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments:				
Held by County	\$ 1,814,046	\$ 430,171	\$ 590,576	\$ 1,236,763
Held by component unit treasurer	-	-	-	-
Receivables:				
Property tax:				
Delinquent	2,149	474	635	-
Succeeding year	1,428,000	405,000	741,000	-
Interest and penalty on property tax	5,092	-	-	-
Accounts	26,388	-	-	2,846
Accrued interest	4,806	-	3	-
Due from other governments	10,688	-	71,567	230,539
Inventories	-	-	-	173,361
Prepaid expenses	77,470	916	2,670	73,227
Total assets	<u>\$ 3,368,639</u>	<u>\$ 836,561</u>	<u>\$ 1,406,451</u>	<u>\$ 1,716,736</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 31,450	\$ 4,103,006
13,689	13,689
-	3,258
72,000	2,646,000
-	5,092
411	29,645
5	4,814
-	312,794
-	173,361
-	154,283
<u>\$ 117,555</u>	<u>\$ 7,445,942</u>

DAVIS COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 25,205	\$ 24,100	\$ 7,225	\$ 121,310
Salaries and benefits payable	1,080	159	-	24,695
Due to other governments (note 5)	10,154	82,293	-	-
Deferred revenue:				
Succeeding year property tax	1,428,000	405,000	741,000	-
Other	7,241	474	635	45,738
Total liabilities	<u>1,471,680</u>	<u>512,026</u>	<u>748,860</u>	<u>191,743</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	173,361
Prepaid expenses	77,470	916	2,670	73,227
Restricted for:				
Supplemental levy purposes	1,105,455	-	-	-
Cemetery levy purposes	26,981	-	-	-
Mental health purposes	-	323,619	-	-
Rural services purposes	-	-	634,333	-
Drainage district purposes	-	-	20,588	-
Secondary roads purposes	-	-	-	1,278,405
Conservation purposes	62,273	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned for Sheriff's reserve officers	1,948	-	-	-
Unassigned	622,832	-	-	-
Total fund balances	<u>1,896,959</u>	<u>324,535</u>	<u>657,591</u>	<u>1,524,993</u>
Total liabilities and fund balances	<u>\$ 3,368,639</u>	<u>\$ 836,561</u>	<u>\$ 1,406,451</u>	<u>\$ 1,716,736</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 1,748	\$ 179,588
-	25,934
-	92,447
72,000	2,646,000
-	54,088
<u>73,748</u>	<u>2,998,057</u>
-	173,361
-	154,283
-	1,105,455
-	26,981
-	323,619
-	634,333
-	20,588
-	1,278,405
22,159	84,432
11,941	11,941
9,707	9,707
-	1,948
-	622,832
<u>43,807</u>	<u>4,447,885</u>
<u>\$ 117,555</u>	<u>\$ 7,445,942</u>

## DAVIS COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2011

Total fund balances of governmental funds	\$ 4,447,885
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$13,693,763 and the accumulated depreciation is \$4,780,458.	8,913,305
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	54,088
The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	407,988
Long-term liabilities, including compensated absences payable and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(313,276)</u>
Net assets of governmental activities	<u>\$ 13,509,990</u>

See notes to financial statements.



This page intentionally left blank

DAVIS COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 1,815,950	\$ 400,787	\$ 1,163,954	\$ -
Interest and penalty on property tax	40,269	-	-	-
Intergovernmental	176,863	299,818	46,506	3,240,703
Licenses and permits	125	-	-	405
Charges for service	176,398	-	-	19
Use of money and property	143,577	-	49	768
Miscellaneous	31,217	600	-	132,287
Total revenues	<u>2,384,399</u>	<u>701,205</u>	<u>1,210,509</u>	<u>3,374,182</u>
Expenditures:				
Operating:				
Public safety and legal services	644,984	-	375,490	-
Physical health and social services	194,289	-	29,500	-
Mental health	-	707,002	-	-
County environment and education	113,524	-	185,455	-
Roads and transportation	-	-	-	3,790,030
Government services to residents	307,529	-	3,492	-
Administration	784,241	-	-	-
Non-program	11,912	-	-	-
Capital projects	-	-	-	88,695
Total expenditures	<u>2,056,479</u>	<u>707,002</u>	<u>593,937</u>	<u>3,878,725</u>
Excess (deficiency) of revenues over (under) expenditures	327,920	(5,797)	616,572	(504,543)
Other financing sources (uses):				
Interfund transfers in (note 3)	-	-	-	615,598
Interfund transfers out (note 3)	(41,520)	-	(574,078)	-
Total other financing sources (uses)	<u>(41,520)</u>	<u>-</u>	<u>(574,078)</u>	<u>615,598</u>
Net change in fund balances	286,400	(5,797)	42,494	111,055
Fund balances beginning of year, as restated (note 12)	<u>1,610,559</u>	<u>330,332</u>	<u>615,097</u>	<u>1,413,938</u>
Fund balances end of year	<u>\$ 1,896,959</u>	<u>\$ 324,535</u>	<u>\$ 657,591</u>	<u>\$ 1,524,993</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 3,380,691
-	40,269
51,764	3,815,654
-	530
1,593	178,010
94	144,488
92,411	256,515
<u>145,862</u>	<u>7,816,157</u>
3,707	1,024,181
-	223,789
-	707,002
6,850	305,829
-	3,790,030
4,787	315,808
-	784,241
-	11,912
<u>236,437</u>	<u>325,132</u>
<u>251,781</u>	<u>7,487,924</u>
(105,919)	328,233
-	615,598
-	(615,598)
<u>-</u>	<u>-</u>
(105,919)	328,233
<u>149,726</u>	<u>4,119,652</u>
<u>\$ 43,807</u>	<u>\$ 4,447,885</u>

## DAVIS COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 328,233

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. The amount of capital outlay  
expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 353,377	
Depreciation expense	<u>(404,009)</u>	(50,632)

Because some revenues will not be collected for several months after the  
County's year end, they are not considered available revenues and are  
deferred in the governmental funds, as follows:

Property tax	(182)	
Other	<u>46,979</u>	46,797

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in the governmental funds, as follows:

Compensated absences	19,882	
Net OPEB liability	<u>(16,000)</u>	3,882

The Internal Service Fund is used by management to charge the costs of  
the self funding of the County's health insurance benefit plan to individual  
funds. The change in net assets of the Internal Service Fund is reported  
with governmental activities.

(95,310)

Change in net assets of governmental activities \$ 232,970

See notes to financial statements.

DAVIS COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and investments	\$ 498,130
Accounts receivable	<u>15,175</u>
Total assets	<u>513,305</u>
Liabilities	
Incurred but not reported claims (note 10)	<u>105,317</u>
Net Assets	
Unrestricted	<u><u>\$ 407,988</u></u>

See notes to financial statements.

DAVIS COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to operating funds	\$ 721,330
Charges to employees	35,996
Insurance reimbursements	<u>26,327</u>
Total operating revenues	<u>783,653</u>
Operating expenses:	
Medical claims	739,147
Insurance premiums	115,928
Administrative fees	15,836
Miscellaneous	<u>16,315</u>
Total operating expenses	<u>887,226</u>
Operating loss	(103,573)
Non-operating revenues:	
Interest on investments	<u>8,263</u>
Net loss	(95,310)
Net assets beginning of year	<u>503,298</u>
Net assets end of year	<u>\$ 407,988</u>

See notes to financial statements.

DAVIS COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2011

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to other funds	\$ 721,330
Cash received from charges to employees	35,996
Cash received from insurance reimbursements	17,440
Cash payments to suppliers for services	<u>(867,635)</u>
Net cash used by operating activities	<u>(92,869)</u>
Cash flows from investing activities:	
Interest on investments	8,263
Purchase of investments	<u>(6,407)</u>
Net cash provided by investing activities	<u>1,856</u>
Net decrease in cash and cash equivalents	(91,013)
Cash and cash equivalents beginning of year	<u>263,976</u>
Cash and cash equivalents end of year	<u>\$ 172,963</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (103,573)
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) in accounts receivable	(8,887)
Increase in incurred but not reported claims	<u>19,591</u>
Net cash used by operating activities	<u>\$ (92,869)</u>
Reconciliation of cash and cash equivalents at end of year to specific assets included on Statement of Net Assets:	
Cash and investments	\$ 498,130
Less items not meeting the definition of cash equivalents:	
Certificates of deposit	<u>325,167</u>
Cash and cash equivalents end of year	<u>\$ 172,963</u>

See notes to financial statements.

DAVIS COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 697,977
Other County officials	23,835
Receivables:	
Property tax:	
Delinquent	9,534
Succeeding year	6,343,000
Accounts	10,225
Accrued interest	31
Due from other governments	11,996
Prepaid expenses	<u>8,988</u>
Total assets	<u>\$ 7,105,586</u>

Liabilities

Accounts payable	\$ 33,959
Salaries and benefits payable	6,460
Due to other governments (note 5)	7,050,435
Trusts payable	6,511
Compensated absences	<u>8,221</u>
Total liabilities	<u>\$ 7,105,586</u>

See notes to financial statements.



DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies

Davis County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Davis County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

**Blended Component Units** – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Davis County Board of Supervisors. The drainage district is included in the Special Revenue, Rural Services Fund. Financial information of the drainage district can be obtained from the Davis County Auditor's office.

The Davis County Courthouse Preservation Fund is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Capital Projects Fund. This Fund has been incorporated under Chapter 504A of the Code of Iowa to receive grants and donations to be used to promote continued planning and implementation of projects consistent with historic preservation and restoration of the Davis County Courthouse and grounds.

DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Davis County Assessor's Conference Board, Davis County Joint E-911 Service Board, and Davis County Law Enforcement Communications Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Investments not meeting the definition of cash equivalents at June 30, 2011 included \$325,167 of certificates of deposit with maturity dates longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Intangibles	\$ 75,000
Infrastructure	150,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	5-40
Infrastructure	10-65
Equipment	5-20
Vehicles	5

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted in any County function and disbursements did not exceed the amounts appropriated for any department.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 41,520
	Special Revenue: Rural Services	<u>574,078</u>
		<u>\$ 615,598</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,040,791	\$ -	\$ -	\$ 1,040,791
Construction in progress	-	85,161	-	85,161
Total capital assets not being depreciated	<u>1,040,791</u>	<u>85,161</u>	<u>-</u>	<u>1,125,952</u>
Capital assets being depreciated:				
Buildings	929,120	-	-	929,120
Machinery and equipment	3,839,528	42,741	-	3,882,269
Infrastructure	7,530,947	225,475	-	7,756,422
Total capital assets being depreciated	<u>12,299,595</u>	<u>268,216</u>	<u>-</u>	<u>12,567,811</u>
Less accumulated depreciation for:				
Buildings	411,028	27,996	-	439,024
Machinery and equipment	2,941,855	201,879	-	3,143,734
Infrastructure	1,023,566	174,134	-	1,197,700
Total accumulated depreciation	<u>4,376,449</u>	<u>404,009</u>	<u>-</u>	<u>4,780,458</u>
Total capital assets being depreciated, net	<u>7,923,146</u>	<u>(135,793)</u>	<u>-</u>	<u>7,787,353</u>
Governmental activities capital assets, net	<u>\$ 8,963,937</u>	<u>\$ (50,632)</u>	<u>\$ -</u>	<u>\$ 8,913,305</u>

DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	31,481
County environment and education		6,007
Roads and transportation		351,906
Administration		<u>14,615</u>
Total depreciation expense - governmental activities	\$	<u><u>404,009</u></u>

Note 5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 10,154
Special Revenue:		
Mental Health		<u>82,293</u>
Total for governmental funds		\$ <u><u>92,447</u></u>
Agency:		
County Assessor	Collections	\$ 290,713
Schools		3,681,212
Area Schools		228,119
Corporations		1,220,919
Townships		177,411
County Hospital		930,477
Auto License and Use Tax		158,409
All Other		<u>363,175</u>
Total for agency funds		\$ <u><u>7,050,435</u></u>

DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 301,158	\$ 16,000	\$ 317,158
Increases	47,893	16,000	63,893
Decreases	67,775	-	67,775
Balance end of year	<u>\$ 281,276</u>	<u>\$ 32,000</u>	<u>\$ 313,276</u>
Due within one year	<u>\$ 71,071</u>	<u>\$ -</u>	<u>\$ 71,071</u>

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 53 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, which is a self-funded medical plan, is administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 20,000
Interest on net OPEB obligation	600
Adjustment to annual required contribution	<u>(600)</u>
Annual OPEB cost	20,000
Contributions made	<u>(4,000)</u>
Increase in net OPEB obligation	16,000
Net OPEB obligation beginning of year	<u>16,000</u>
Net OPEB obligation end of year	<u>\$ 32,000</u>

DAVIS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2011

Note 7. Other Postemployment Benefits (OPEB) (continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$4,000 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 20,000	20%	\$ 32,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$164,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$164,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,760,000 and the ratio of the UAAL to covered payroll was 9.3%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table projected to 2010 using scale AA. Projected claim costs of the medical plan are \$883 per month for retirees age 55 to 59 and \$1,079 per month for retirees age 60 to 64. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## DAVIS COUNTY

### NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

#### Note 8. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$154,219, \$140,441 and \$131,513, respectively, equal to the required contributions for each year.

#### Note 9. Risk Management

Davis County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$106,757.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

DAVIS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 9. Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant. The agreement is subject to automatic renewal provisions. The County purchases commercial insurance to provide for aggregate stop loss coverage for the excess of 125% of estimated claims for the plan year and specific stop loss coverage for the excess of \$25,000 in insured claims for any one covered individual and \$25,000 aggregating specific deductible for claims over the individual specific deductible. The County assumes liability for claims up to the individual stop loss limitation of \$25,000 and the aggregating stop loss limitation of \$25,000.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$757,326.

# DAVIS COUNTY

## NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

### Note 10. Employee Health Insurance Plan (continued)

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$105,317, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$407,988 at June 30, 2011 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2010	\$ 85,726
Incurred claims (including claims incurred but not reported at June 30, 2011)	739,147
Payments	<u>719,556</u>
Unpaid claims at June 30, 2011	\$ <u><u>105,317</u></u>

### Note 11. County Care Facility

The management and operation of the Davis County Care Facility is provided by ResCare, Inc. The County leases the Care Facility site to ResCare, Inc., under an agreement whereby the County is to reimburse ResCare, Inc., monthly for service provided on a per patient basis. ResCare, Inc. is responsible for normal operating and maintenance costs. The County is responsible for major repairs to the facility and equipment. ResCare, Inc. pays the County a monthly fee based on Intermediate Care Facility resident days and Resident Care Facility resident days.

The lease was extended in July 2008 for a term of 36 months until June 30, 2011.

DAVIS COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2011

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Special Revenue		Nonmajor - Special Revenue		
	Rural Services		Conservation Land Acquisition	Reserve Officers	Drainage District
	General				
Balances June 30, 2010, as previously reported	\$ 1,557,802	\$ 596,058	\$ 52,731	\$ 26	\$ 19,039
Change in fund type classification per implementation of GASB Statement No. 54	<u>52,757</u>	<u>19,039</u>	<u>(52,731)</u>	<u>(26)</u>	<u>(19,039)</u>
Balances July 1, 2010, as restated	<u>\$ 1,610,559</u>	<u>\$ 615,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 13. Subsequent Events

In July 2011, the County entered into a contract totaling \$606,272 for the County courthouse roof and tower repair project.

In August 2011, the County issued \$500,000 of general obligation capital loan notes. The note proceeds will be used to pay the costs of improvements, remodeling, or reconstruction of the County courthouse. The notes will be repaid over ten years and include interest at 4.5%.

In September 2011, the County entered into a rural economic development loan agreement. The County borrowed \$100,000 to help pay the costs of renovations to the County courthouse. The loan will be repaid over ten years and includes interest at 2%.



## Required Supplementary Information

# DAVIS COUNTY

## Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2011

	Actual	Less Funds not Required to be Budgeted	Net
<b>RECEIPTS:</b>			
Property and other County tax	\$ 3,378,782	\$ -	\$ 3,378,782
Interest and penalty on property tax	40,268	-	40,268
Intergovernmental	3,788,852	41,350	3,747,502
Licenses and permits	455	-	455
Charges for service	181,167	-	181,167
Use of money and property	149,559	50	149,509
Miscellaneous	266,067	92,411	173,656
Total receipts	<u>7,805,150</u>	<u>133,811</u>	<u>7,671,339</u>
<b>DISBURSEMENTS:</b>			
Public safety and legal services	1,020,220	-	1,020,220
Physical health and social services	220,699	-	220,699
Mental health	695,735	-	695,735
County environment and education	304,660	-	304,660
Roads and transportation	3,786,370	-	3,786,370
Government services to residents	315,501	-	315,501
Administration	796,920	-	796,920
Non-program	11,912	-	11,912
Capital projects	323,688	234,689	88,999
Total disbursements	<u>7,475,705</u>	<u>234,689</u>	<u>7,241,016</u>
Excess (deficiency) of receipts over (under) disbursements	329,445	(100,878)	430,323
Balance beginning of year	<u>3,787,250</u>	<u>135,152</u>	<u>3,652,098</u>
Balance end of year	<u>\$ 4,116,695</u>	<u>\$ 34,274</u>	<u>\$ 4,082,421</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net Variance
\$ 3,341,734	\$ 3,341,734	\$ 37,048
35,634	35,634	4,634
2,629,319	3,312,195	435,307
888	888	(433)
167,625	179,361	1,806
140,921	150,921	(1,412)
148,773	152,736	20,920
6,464,894	7,173,469	497,870
1,036,996	1,063,674	43,454
293,416	340,421	119,722
634,644	791,144	95,409
287,907	316,887	12,227
2,763,606	4,170,606	384,236
345,030	345,030	29,529
865,837	865,837	68,917
20,000	20,000	8,088
135,000	135,000	46,001
6,382,436	8,048,599	807,583
82,458	(875,130)	1,305,453
3,080,065	3,080,065	572,033
\$ 3,162,523	\$ 2,204,935	\$ 1,877,486

DAVIS COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information  
Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,805,150	\$ 11,007	\$ 7,816,157
Expenditures	7,475,705	12,219	7,487,924
Net	329,445	(1,212)	328,233
Beginning fund balances	3,787,250	332,402	4,119,652
Ending fund balances	<u>\$ 4,116,695</u>	<u>\$ 331,190</u>	<u>\$ 4,447,885</u>

See accompanying independent auditor's report.

## DAVIS COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,666,163. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, and for the E-911 System by the Joint E-911 Service Board.

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted in any County function and disbursements did not exceed the amounts appropriated for any department.

DAVIS COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 164	\$ 164	0.0%	\$ 1,702	9.6%
2011	July 1, 2009	-	164	164	0.0%	1,760	9.3%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

## Other Supplementary Information

DAVIS COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue			
	County Recorder's Records Management	REAP	Sheriff Forfeiture	Debt Service
<b>Assets</b>				
Cash and pooled investments:				
Held by County	\$ 5,508	\$ 22,155	\$ 3,787	\$ -
Held by component unit treasurer	-	-	-	-
Receivables:				
Property tax:				
Succeeding year	-	-	-	72,000
Accounts	411	-	-	-
Accrued interest	1	4	-	-
<b>Total assets</b>	<u>\$ 5,920</u>	<u>\$ 22,159</u>	<u>\$ 3,787</u>	<u>\$ 72,000</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue:				
Succeeding year property tax	-	-	-	72,000
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,000</u>
Fund balances:				
Restricted for:				
Conservation purposes	-	22,159	-	-
Capital projects	-	-	-	-
Other purposes	5,920	-	3,787	-
Total fund balances	<u>5,920</u>	<u>22,159</u>	<u>3,787</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5,920</u>	<u>\$ 22,159</u>	<u>\$ 3,787</u>	<u>\$ 72,000</u>

See accompanying independent auditor's report.



Capital Projects		
Davis County Courthouse Preservation		Total
\$ -		31,450
13,689		13,689
-		72,000
-		411
-		5
\$ 13,689		\$ 117,555
\$ 1,748		\$ 1,748
-		72,000
1,748		73,748
-		22,159
11,941		11,941
-		9,707
11,941		43,807
\$ 13,689		\$ 117,555

DAVIS COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	Special Revenue		
	County Recorder's Records Management	REAP	Sheriff Forfeiture
Revenues:			
Intergovernmental	\$ -	\$ 11,914	\$ -
Charges for service	1,593	-	-
Use of money and property	26	68	-
Miscellaneous	-	-	-
Total revenues	<u>1,619</u>	<u>11,982</u>	<u>-</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	3,707
County environment and education	-	6,850	-
Government services to residents	4,787	-	-
Capital projects	-	-	-
Total expenditures	<u>4,787</u>	<u>6,850</u>	<u>3,707</u>
Excess (deficiency) of revenues over (under) expenditures	(3,168)	5,132	(3,707)
Fund balances beginning of year	<u>9,088</u>	<u>17,027</u>	<u>7,494</u>
Fund balances end of year	\$ <u><u>5,920</u></u>	\$ <u><u>22,159</u></u>	\$ <u><u>3,787</u></u>

See accompanying independent auditor's report.

Capital Projects			
Davis County Courthouse Preservation		Total	
\$	39,850	\$	51,764
	-		1,593
	-		94
	92,411		92,411
	132,261		145,862
	-		3,707
	-		6,850
	-		4,787
	236,437		236,437
	236,437		251,781
	(104,176)		(105,919)
	116,117		149,726
\$	11,941	\$	43,807

DAVIS COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2011

	County Offices			Agricultural	County
	County Auditor	County Recorder	County Sheriff	Extension Education	Assessor
<b>ASSETS</b>					
Cash and pooled investments:					
County Treasurer	\$ -	\$ -	\$ -	1,570	\$ 128,213
Other County officials	1,288	13,628	8,919	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	85	205
Succeeding year	-	-	-	75,000	169,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expenses	-	-	-	-	1,913
Total assets	\$ <u>1,288</u>	\$ <u>13,628</u>	\$ <u>8,919</u>	\$ <u>76,655</u>	\$ <u>299,331</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 25	\$ 13,608	\$ 3,671	\$ -	\$ 7,220
Salaries and benefits payable	-	-	-	-	388
Due to other governments	-	20	-	76,655	290,713
Trusts payable	1,263	-	5,248	-	-
Compensated absences	-	-	-	-	1,010
Total liabilities	\$ <u>1,288</u>	\$ <u>13,628</u>	\$ <u>8,919</u>	\$ <u>76,655</u>	\$ <u>299,331</u>

<u>Law Enforcement Communications</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 114,894	\$ 75,169	\$ 4,857	\$ 31,947	\$ 3,287	\$ 15,635	\$ 18
-	-	-	-	-	-	-
-	4,043	262	3,972	124	842	1
-	3,602,000	223,000	1,185,000	174,000	914,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
7,075	-	-	-	-	-	-
<u>\$ 121,969</u>	<u>\$ 3,681,212</u>	<u>\$ 228,119</u>	<u>\$ 1,220,919</u>	<u>\$ 177,411</u>	<u>\$ 930,477</u>	<u>\$ 1,019</u>
\$ 1,683	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,072	-	-	-	-	-	-
107,003	3,681,212	228,119	1,220,919	177,411	930,477	1,019
-	-	-	-	-	-	-
7,211	-	-	-	-	-	-
<u>\$ 121,969</u>	<u>\$ 3,681,212</u>	<u>\$ 228,119</u>	<u>\$ 1,220,919</u>	<u>\$ 177,411</u>	<u>\$ 930,477</u>	<u>\$ 1,019</u>

DAVIS COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2011

	Auto License and Use Tax	County Watershed	E-911	County Recorder's Electronic Transaction Fee	Total
<b>ASSETS</b>					
Cash and pooled investments:					
County Treasurer	\$ 164,541	\$ 91,507	\$ 65,950	\$ 389	\$ 697,977
Other County officials	-	-	-	-	23,835
Receivables:					
Property tax:					
Delinquent	-	-	-	-	9,534
Succeeding year	-	-	-	-	6,343,000
Accounts	-	-	9,818	407	10,225
Accrued interest	-	-	31	-	31
Due from other governments	-	-	11,996	-	11,996
Prepaid expenses	-	-	-	-	8,988
Total assets	<u>\$ 164,541</u>	<u>\$ 91,507</u>	<u>\$ 87,795</u>	<u>\$ 796</u>	<u>\$ 7,105,586</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 6,132	\$ -	\$ 1,620	\$ -	\$ 33,959
Salaries and benefits payable	-	-	-	-	6,460
Due to other governments	158,409	91,507	86,175	796	7,050,435
Trusts payable	-	-	-	-	6,511
Compensated absences	-	-	-	-	8,221
Total liabilities	<u>\$ 164,541</u>	<u>\$ 91,507</u>	<u>\$ 87,795</u>	<u>\$ 796</u>	<u>\$ 7,105,586</u>

See accompanying independent auditor's report.

This page intentionally left blank

DAVIS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2011

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 1,285	\$ 22,634	\$ 4,360	\$ 73,317
Additions:				
Property and other County tax	-	-	-	74,444
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	3,884
Office fees and collections	3,139	149,914	44,252	-
Auto license, use tax, drivers license and postage	-	-	-	-
Interest	-	-	-	-
Assessments	-	-	-	-
Trusts	3	-	221,133	-
Miscellaneous	-	-	-	-
Total additions	3,142	149,914	265,385	78,328
Deductions:				
Agency remittances:				
To other funds	3,139	59,083	39,803	-
To other governments	-	99,837	4,132	74,990
Trusts paid out	-	-	216,891	-
Total deductions	3,139	158,920	260,826	74,990
Balances end of year	\$ 1,288	\$ 13,628	\$ 8,919	\$ 76,655



<u>County Assessor</u>	<u>Law Enforcement Communications</u>	<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>
\$ 286,896	\$ 118,296	\$ 3,485,969	\$ 225,995	\$ 1,139,671	\$ 162,015	\$ 727,108
168,083	-	3,589,497	222,068	1,171,350	173,879	911,556
-	-	-	-	-	-	-
9,408	-	185,501	12,016	48,554	8,631	38,677
397	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	4,454	-	-
-	-	-	-	-	-	-
1,402	442,496	-	-	-	-	-
179,290	442,496	3,774,998	234,084	1,224,358	182,510	950,233
-	-	-	-	-	-	-
166,855	438,823	3,579,755	231,960	1,143,110	167,114	746,864
-	-	-	-	-	-	-
166,855	438,823	3,579,755	231,960	1,143,110	167,114	746,864
\$ 299,331	\$ 121,969	\$ 3,681,212	\$ 228,119	\$ 1,220,919	\$ 177,411	\$ 930,477

DAVIS COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2011

	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax	County Watershed	E-911
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 1,013	\$ 160,343	\$ 84,362	\$ 173,256
Additions:				
Property and other County tax	810	-	-	-
E-911 surcharge	-	-	-	60,141
State tax credits	44	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	-	1,960,726	-	-
Interest	-	-	-	501
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	17,500	11,842
Total additions	854	1,960,726	17,500	72,484
Deductions:				
Agency remittances:				
To other funds	-	77,805	-	-
To other governments	848	1,878,723	10,355	157,945
Trusts paid out	-	-	-	-
Total deductions	848	1,956,528	10,355	157,945
Balances end of year	\$ 1,019	\$ 164,541	\$ 91,507	\$ 87,795

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Tax Sale Redemption	Total
\$ 868	\$ -	\$ 6,667,388
-	-	6,311,687
-	-	60,141
-	-	306,715
4,731	-	202,433
-	-	1,960,726
-	-	501
-	-	4,454
-	161,366	382,502
-	-	473,240
4,731	161,366	9,702,399
-	-	179,830
4,803	-	8,706,114
-	161,366	378,257
4,803	161,366	9,264,201
\$ 796	\$ -	\$ 7,105,586

## DAVIS COUNTY

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
LAW ENFORCEMENT COMMUNICATIONS FUND  
Year Ended June 30, 2011

## Additions:

## Contributions from other governmental units:

Davis County	\$ 221,248	
City of Bloomfield	<u>221,248</u>	\$ <u>442,496</u>

## Deductions:

Salaries	213,945	
Benefits	121,360	
Office supplies	3,689	
Training	1,986	
Insurance	4,676	
Utilities	25,124	
Equipment and supplies	32,579	
Building repair, maintenance and improvements	34,005	
Miscellaneous	<u>1,459</u>	<u>438,823</u>

Net		3,673
-----	--	-------

Balance beginning of year		<u>118,296</u>
---------------------------	--	----------------

Balance end of year		<u><u>\$ 121,969</u></u>
---------------------	--	--------------------------

See accompanying independent auditor's report.

This page intentionally left blank

DAVIS COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
<b>Revenues:</b>				
Property and other County tax	\$ 3,380,691	\$ 3,200,731	\$ 3,300,824	\$ 2,921,282
Interest and penalty on property tax	40,269	36,845	35,634	37,182
Intergovernmental	3,815,654	3,186,596	3,141,865	3,312,765
Licenses and permits	530	679	921	1,243
Charges for service	178,010	161,984	155,828	180,056
Use of money and property	144,488	135,639	149,307	196,634
Miscellaneous	256,515	367,314	507,350	262,982
<b>Total</b>	<b>\$ 7,816,157</b>	<b>\$ 7,089,788</b>	<b>\$ 7,291,729</b>	<b>\$ 6,912,144</b>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	\$ 1,024,181	\$ 946,948	\$ 970,405	\$ 872,141
Physical health and social services	223,789	208,488	211,995	217,318
Mental health	707,002	618,031	858,367	843,374
County environment and education	305,829	317,435	342,367	262,911
Roads and transportation	3,790,030	2,831,669	3,215,153	2,909,254
Government services to residents	315,808	319,976	316,655	293,255
Administration	784,241	953,235	846,335	837,023
Non-program	11,912	20,298	23,690	10,519
Capital projects	325,132	149,570	-	34,269
<b>Total</b>	<b>\$ 7,487,924</b>	<b>\$ 6,365,650</b>	<b>\$ 6,784,967</b>	<b>\$ 6,280,064</b>

See accompanying independent auditor's report.

	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	2,853,978	\$ 2,876,582	\$ 2,861,099
	38,710	40,268	53,938
	3,226,257	2,689,951	2,839,135
	1,126	728	820
	163,077	166,870	151,202
	200,394	176,484	103,404
	176,031	173,177	147,764
\$	<u>6,659,573</u>	<u>\$ 6,124,060</u>	<u>\$ 6,157,362</u>

\$	800,020	\$ 818,696	\$ 778,979
	230,039	233,142	200,423
	833,763	710,395	666,296
	325,302	289,375	273,752
	2,834,286	3,040,511	2,388,723
	284,501	403,692	278,451
	671,666	710,708	719,554
	50,835	25,310	8,247
	392,940	244,577	299,927
\$	<u>6,423,352</u>	<u>\$ 6,476,406</u>	<u>\$ 5,614,352</u>

DAVIS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Natural Resources Conservation Service:			
Emergency Watershed Protection Program	10.923	PA-69-6114	\$ <u>13,856</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561	FY 11	<u>8,311</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS CO 20 (68)	<u>180,380</u>
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	406, Task 43	<u>1,914</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State			
Administered Programs	93.566	FY 11	<u>6</u>
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596	FY 11	<u>2,034</u>
Foster Care - Title IV-E	93.658	FY 11	<u>3,295</u>
Adoption Assistance	93.659	FY 11	<u>798</u>
Children's Health Insurance Program	93.767	FY 11	<u>38</u>
Medical Assistance Program	93.778	FY 11	<u>7,973</u>
Social Services Block Grant	93.667	FY 11	<u>2,842</u>
Social Services Block Grant	93.667	FY 11	<u>33,773</u>
			<u>36,615</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially			
Declared Disasters)	97.036	DR1930	<u>500,294</u>
Total			\$ <u><u>755,514</u></u>



DAVIS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Davis County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Davis County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Davis County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 13, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Davis County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Davis County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Davis County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11, II-C-11, and II-D-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Davis County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Davis County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Davis County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County and other parties to whom Davis County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
March 13, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Davis County:

Compliance

We have audited the compliance of Davis County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Davis County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Davis County's management. Our responsibility is to express an opinion on Davis County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Davis County's compliance with those requirements.

In our opinion, Davis County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Davis County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Davis County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the County's internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County and other parties to whom Davis County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
March 13, 2012

DAVIS COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Davis County did not qualify as a low-risk auditee.

DAVIS COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

- II-A-11 Capital Assets – The County does not reconcile the prior year capital asset and depreciation listing, additions, and deletions to the current year listing. Periodic comparisons are not made of amounts recorded in the accounting system with the physical assets. We also noted that capital assets are not depreciated by function and the accumulated depreciation was not updated on all the assets.

Recommendation – The County should reconcile the capital assets and depreciation listing and all adjustments to the prior year listing. The additions, disposals, and final listing should also be reviewed each year to ensure accuracy. The County should also depreciate capital assets by function.

Response – We will properly reconcile and ensure the accuracy of the capital assets and depreciation in the future. We will work with our software company to calculate depreciation by function.

Conclusion – Response accepted.

- II-B-11 Segregation of Duties – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Recorder, Sheriff, Treasurer

DAVIS COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-B-11 Segregation of Duties (continued)

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder - We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal controls.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

II-C-11 Untimely Deposit/Receipting – Out of nine receipts tested, one was not deposited timely. The receipt was held by the recipient for approximately three months before being given to the County Treasurer for deposit.

Recommendation – All receipts should be turned in to the County Treasurer on a timely basis. All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds.

Response – We will try to ensure that the County Treasurer receives all receipts on a timely basis.

Conclusion – Response accepted.

II-D-11 Payroll Timesheets – We noted that timesheets for Secondary Roads hourly employees are not approved by a supervisor or department head.

Recommendation – Someone in a supervisory position in the Secondary Roads department should review and sign off on employee timesheets to verify the hours worked.

Response – We will have a supervisory employee review and approve the timesheets in the future.

Conclusion – Response accepted.



DAVIS COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

DAVIS COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted in any County function and did not exceed the amounts appropriated for any department.
- IV-B-11 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-11 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Pam Martin, Deputy Auditor, Spouse is Owner of Martin Oil	Oil and fuel	\$28,780

The above transaction does not represent a conflict of interest due to the limited number of suppliers and regular rotation of such suppliers.

- IV-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-11 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-11 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.